



Auditor of Public Accounts
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Edelen Releases Audit of Todd County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Todd County Fiscal Court for the fiscal year ended June 30, 2011. State law requires annual audits of county fiscal courts.

The audit found that the county's financial statements, in all material respects, fairly present the county's assets, liabilities, and net assets arising from cash transactions and revenues received and expenditures paid in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

- **The Todd County Fiscal Court had a lack of segregation of duties over accounting functions.** The county has a lack of segregation of duties. The county treasurer receives, records, and deposits all funds. The treasurer also prepares the bank reconciliations and all of the monthly reports. It was also noted that the finance officer submits invoices to the court for approval and also prepares the related checks.

Segregation of duties over the collection of receipts, deposit preparation, bank reconciliations and other accounting functions or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the following segregation of duties or compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items.
- The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy.
- The independent person should then sign off on the bank reconciliations to verify completion.
- An independent person should compare fiscal court order approvals to invoices and checks prior to payment.
- All purchase orders should be prepared, signed and dated by the employee requesting the purchase. All purchase orders should contain an indication of approval by the appropriate personnel prior to purchase.
- All invoices should contain an indication of approval for payment by the appropriate personnel prior to submitting invoices to the Court for approval.
- All invoices should be marked "paid" and check number and date paid should be noted on the invoice.

County Judge/Executive Daryl Greenfield's response: No response.

- **Todd County Fiscal Court should strengthen internal controls over the financial reporting of capital assets and infrastructure.** Material weaknesses exist over the reporting of capital assets and infrastructure of Todd County Fiscal Court. Capital asset records were incomplete as to current year additions. The capitalization policies reported by the county were not being followed. Also, there were items being depreciated in the current year that have been fully depreciated for several years.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation.

In order to strengthen the county's internal controls over capital assets and infrastructure, we recommend the county establish a detailed inventory system. The system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, and a location of the asset. The listing of capital assets should be updated throughout the year as new assets are purchased. It should also be updated as to annual depreciation, accumulated depreciation amounts and current year disposals. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets. This inventory should be maintained at historical cost.

County Judge/Executive Daryl Greenfield's response: We are working on this.

- **Todd County Fiscal Court should strengthen internal controls over the financial reporting of the jail bond and lease fund.** While testing cash balances and debt

transactions, it came to our attention that most of the activity of the jail bond and lease fund had not been recorded on the books. The debt payments on the jail construction were recorded and budgeted through the jail fund. However, the activity for the construction of the justice center, as well as the debt activity had not been recorded. The county treasurer was not supplied the bank statements, invoices, debt documents, and all other information needed to record the activity as required by the state. We did note where transactions were reviewed by the Magistrates, but the activity was not recorded.

All funds of the county must be recorded and accounted for on the county's books.

We recommend that the county treasurer be supplied with all the information regarding activity of the fund so that it can be recorded on the books of the county.

County Judge/Executive Daryl Greenfield's response: No response.

This report, in its entirety, can be accessed on the Internet at the following site: [here](#).

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The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

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